



## TOWN COUNCIL Work Session

Town Hall  
January 9, 2014  
6:00 p.m.

At 6:00 p.m., Mayor Dora Sullivan, having established a quorum, called to order the Town Council Work Session. In addition to Mayor Sullivan, present were Vice Mayor Bannon, Councilmen Godwin, Sullivan and Wendell, and Councilwoman Natali. Councilman Bennett was not in attendance. Also present were Town Manager Heather Arcos, Assistant Town Manager Bob Panek, and Town Clerk Libby Hume. There were 4 members of the public in attendance.

Mayor Sullivan announced that the order of business for this evening would be discussion of i) Police Vehicle Financing Options; ii) Request from South Port Investors; and iii) Review of Upcoming Work Session Topics.

### A. *Police Vehicle Financing Options*

Town Manager Heather Arcos stated that the 2008 Ford Crown Victoria was scheduled to be replaced. It was taken out of service in November 2013 when it was deemed a total loss after an accident with a deer. The Town received \$5,387 from the insurance company which would be applied to the cost of the new vehicle. In the past, the Town financed the police vehicles for four years with annual payments. The Town had 2 options for consideration: i) A USDA loan for 4 years at a fixed rate of 4.625% with annual payments of \$5,520.92, the first payment being due a year after purchase; ii) Purchase the vehicle outright using estimated savings of personnel costs in the Police Department and savings from the Comprehensive Plan update. The Town budgeted \$30K for the Comprehensive Plan update but last month approved working with the Accomack-Northampton Planning District Commission for a cost of approximately \$8,600.

Councilman Godwin stated that he preferred to purchase the vehicle outright and added that in the future, he would prefer the Town to put money aside each year so the vehicles could be purchased outright vs. being financed. Councilman Godwin asked whether the cars, once taken out of service, could be offered to employees for purchase for a reasonable price. Heather Arcos stated that the Town was required to advertise for bids on the vehicles and staff could purchase them if they were the highest bidder.

Vice Mayor Bannon stated that he recollected that some years ago, he attended a class that recommended that at least \$125 per citizen be put aside for a rainy day fund but the Town never had any money to do so.

Councilwoman Natali asked whether at the end of a fiscal year, if there were any unspent funds, the funds could be put into a reserve account for emergencies or a rainy day fund. Heather Arcos responded in the affirmative and also mentioned the Fund Balance, as shown on the annual audits, which possibly could be used as a rainy day fund if needed. The auditors would be in the office next week for the FY 2012-2013 audit and she would check with them. Heather Arcos went on to state that a rainy day fund had been discussed during the budget process over the last several years but the Town did not have any available funds at the time.

Councilman Wendell asked about the Interceptor. Heather Arcos stated that it was an all-wheel drive vehicle similar to the one currently being driven by Chief Pruitt. It did

not have as big of an engine as the Dodge Charger but would be beneficial during storms. Currently, the officers drive their personal vehicles during storms.

Councilman Wendell suggested the following: i) The Town have only four vehicles and the two newest officers share a vehicle and possibly work with a rotation schedule to replace a vehicle every two years vs. each year; and ii) If there were any unspent funds at the end of the year, put 50% into a rainy day fund and use the other 50% to reduce the debt.

Councilman Sullivan stated that if vehicles were replaced every 2 years, the oldest car in service would be 10 years old and in bad condition with mounting maintenance and repair costs. A 10-year cycle was too long.

Mayor Sullivan stated that she agreed with officers sharing vehicles and also agreed that 10 years was too long a cycle.

After much discussion regarding the sharing of vehicles and the work shifts of the officers, Heather Arcos asked for a consensus regarding financing the vehicle through USDA or to purchase the vehicle outright. Vice Mayor Bannon, Councilman Godwin and Councilwoman Natali stated their preference to purchase the vehicle outright. Councilmen Sullivan and Wendell agreed that, if a vehicle needed to be purchased, their preference was to purchase the vehicle outright vs. financing. Heather Arcos stated that the item would be placed on the January 16 regular meeting agenda.

B. *Request from South Port Investors*

Heather Arcos stated that a request was received from South Port Investors (SPI) asking for consideration regarding a waiver of utility connection fees and charges, 1 connection per parcel. Parcels 12 and 17 have existing connections so this request encompassed parcels 14, 19 and 20.

Heather Arcos continued to state that in January 2013, SPI requested a waiver of accrued minimum water and wastewater charges on parcel 12 in the amount of \$5,516.64. This amount reflected charges which had accrued since December 2007 when the service was discontinued on parcel 12 to demolish the old fish building in preparation for development. On January 24, 2013, Town Council agreed to allow the service to resume without payment of the outstanding charges. SPI had continued to pay the minimum monthly utility charges since that point, but the outstanding balance still needed to be resolved. Heather Arcos stated that currently there were 6 vacant residential lots where the property owners were paying the monthly minimum charges per Town Code § 72-9(c).

Heather Arcos went on to state that SPI continued to promote economic development in and around Cape Charles and were working to establish a mega yacht facility and was a driving force behind the development of the Harbor Access Road. Phase 1 was underway on Parcels 12 and 17 and conditional use permits were granted on those parcels. Plans for Parcels 14, 19 and 20 had not yet been submitted. Currently, the Town had 2 tenants operating on leased parcels – SPI and The Hungry Crab, LLC dba The Shanty. The Shanty's lease was for 10 years with 3 consecutive renewal options and did not contain acquisition rights. SPI had existing long term leases with specific provisions which were extensively negotiated. The lease included \$1 rental payment per year and 1% of the gross revenue. In 1996, the Town originally leased wharf parcels to the STIP for 40 years for the development and operation of the Technology Park. In December 2007, SPI purchased the STIP properties from the County and the lease was amended with SPI. The lease for Parcel 12 was also executed at that time. In February 2013, the fifth amendment of the lease was executed. 22 years remain on the

lease. SPI has until February 27, 2018 to exercise their right to purchase the property or forfeit that right. The leases currently require SPI to pay the connection charges. The options were available: i) Council could propose to grant a waiver in its entirety or a portion of the charges. This would require a lease amendment with public notice and approval by ordinance; ii) SPI could apply for Technology Zone Incentives which were detailed in the Town Code and based on the investment and number of jobs created; and iii) Council could defer the payment of connection charges for a period of time.

There was much debate and discussion regarding the following: i) Comparison between The Shanty lease to SPI's leases. The Shanty and SPI were offered different economic considerations based on their business models; ii) SPI's development plans on the parcels and the uses involved; iii) The value of the connection charges and the need to see the plans before the water usage and Equivalent Residential Connections (ERCs) could be evaluated. A 58-seat bistro and retail store were planned for Parcel 19. Assistant Town Manager Bob Panek stated that a café or restaurant would equate to the monetary equivalent of 3-4 ERCs; iv) The calculation for commercial connection charges needed to be evaluated and adjusted in the Town Code as the connection charges for commercial seem excessive. Heather Arcos stated that staff was currently reviewing calculations from other localities. Bob Panek stated that the formula had been in place for many years and was excessive for small businesses with very low usage but could be beneficial for high usage businesses such as restaurants; v) Deferral of one connection charge for Parcels 14, 19 and 20 as long as the parcels were leased. If SPI exercised the right to purchase, the charges would be payable in addition to the fair market value of the land. All additional connection charges would be paid; vi) The Shanty currently paid the Town \$500 per month as well as a percentage of sales, business license taxes, etc. The cumulative amount paid by The Shanty in rental payments and taxes over the years would more than pay for their connection charge. Heather Arcos stated that SPI's investment, as well as the projected revenue, would be substantially more than that for The Shanty.

Councilwoman Natali stated that she would be willing to grant a deferral on the payment of the connection charges until SPI exercised the right to purchase the property. Councilman Wendell stated that the Town would be setting a precedent and other independent businesses would ask for connection fee waivers stating that they were bringing in jobs and putting in an investment in the Town, and connection charges would become obsolete.

Councilman Wendell asked Mayor Sullivan if Ms. Cela Burge could comment as a representative of SPI. Mayor Sullivan also invited Mr. Dan Brown, another representative of SPI, to speak.

Mr. Brown stated that SPI was asking for the same considerations and treatment as that given to The Shanty. The Bistro would provide taxes also as well as the other businesses being built on the property. Construction would be starting within 6 months. \$300K was spent on a travel lift, which should be constructed within 2 months, and \$250K on the travel lift bridge which started today. A number of businesses wanted to come to Cape Charles but the \$40K connection charge was a deterrent.

Ms. Burge stated that SPI's plans had changed considerably since the beginning but added that Bay Creek's plans had changed as well with the recent economy, but things could be worked out. From an economic development stand point, they had an entity with available funds that was interested in the Cape Charles Harbor. How could the Town incent more businesses to come here? One incentive was to put in infrastructure. Bob Panek noted that the connection charges were not related to infrastructure for a specific parcel but to put money in the reserve for future plant expansion.

Councilman Wendell stated that the Town had already provided an incentive with the lease packages at \$1 per year and added that the Town Council would have fewer reservations if they could see something happening on the property and see some plans.

Councilman Sullivan stated that the Town had to borrow money for the new wastewater treatment plant because it did not put money in reserve to replace the plant and had to borrow \$5M. If the Town constantly waived fees, it would not have the money in reserve for expansion.

After much more discussion, Council opted to add this topic to the upcoming Town Council Retreat on a date to be determined in early February.

C. *Review of Upcoming Work Session Topics*

Heather Arcos distributed the Town Council Meeting & FY 2014-2015 Budget Timeline and went on to review proposed topics for the upcoming Retreat as follows: i) strategic planning – where we've been and where we are now. This would be a time to review what had been accomplished since the last Comprehensive Plan was adopted. Councilwoman Natali stated that the Planning Commission would be preparing their Annual Report, which was required by the State, at their February meeting to present to Council and suggested waiting until that was complete before discussing this issue.

Heather Arcos went on to review the Town Council Meeting & FY 2014-2015 Budget Timeline noting that two meetings were scheduled from 3:00 PM – 7:00 PM. Mayor Sullivan suggested holding the long meetings on Saturdays.

Heather Arcos stated that her goal was to bring balanced budgets to the Council for review. Staff would also try to reduce the utility rates and/or increase capacity to the users. This year's budget should not be as difficult as last year since there was no reassessment involved.

**Motion made by Vice Mayor Bannon, seconded by Councilwoman Natali, to adjourn the Town Council Work Session. The motion was approved by unanimous consent.**

---

Mayor Sullivan

---

Town Clerk